



**TOWN OF WALPOLE**  
COMMONWEALTH OF MASSACHUSETTS

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Town Administrator

**Michael E.**

**MEMORANDUM**

To: Board of Selectmen  
Finance Committee  
Capital Budget Committee  
School Committee

From: Michael E. Boynton,  
Town Administrator

Date: February 5, 2007

Re: Fiscal Year 2008 Budget Proposal & Message

This is going to sound familiar. What you are about to hear is a message of expenses that will once again outpace revenues forcing leaders to make difficult decisions that will undoubtedly result in the loss of positions, cuts in programs, and the tightening of the proverbial belt once again. It will talk about the crisis in health care funding, rising insurance costs, and increases in utilities from fuel to electricity. That part of the message is getting old. But there is another part that you will hear that most certainly never gets old. It is where you are informed that despite the cuts and setbacks financially, the employees of the Town have once again performed with a level of professionalism and dedication to their town that has allowed us to absorb many of these reductions without impacting the community we serve. As we move ahead toward FY'2008, we will once again call on all employees, board & committee members, and our residents to come together to deliver quality services for Walpole.

Last year, I presented a budget with a theme that centered on a need for reform. That need for reform, primarily at the state level, remains today. In fact, it is as important as ever. The new administration has expressed a willingness to work toward reform, but from the municipal perspective the changes that come about must be meaningful and directly effect our bottom line. As has been stated here before, Walpole is not alone with the budgeting dilemmas we face. The problems are being felt in communities across the state, and it is critical that all communities be included in the search for solutions. If not, the pattern of deficit reductions will continue to a point where essential services are compromised.

However, we as local leaders have a responsibility here as well. We must examine our operations and continue to seek economies of scale. Consolidation of some services in-house as well as the exploration of regional opportunities must be put on the table by policy setting boards. In short, it is clear that the system we operate in is broken, and we must continue to be creative with the options we chose to try and fix it.

## **FY'2008 BUDGET MESSAGE – 02/05/2007 (PAGE #2)**

The Fiscal Year 2008 budget as proposed totals \$60,534,055, an increase of 3.8% over the current FY'2007 budget. The expected dollar increase from FY'07 is \$2,238,421. Of that, slightly more than \$313,000 represents increases in our “non-discretionary” budget items, such as assessments and fringe benefits, solid waste, the Tri-County Regional Vocational High School, and our debt budget. It is important to note, however, that three of these four accounts either remain flat or are projected to decrease in FY'08. Only assessments & fringe benefits, a category that includes everything from County retirement costs to our property & casualty insurance, not to mention the health insurance budget, will increase next year. The projected increase, which includes a projected health insurance rise of approximately 10.7%, is estimated at nearly \$885,698 dollars. While this increase has come in lower than the initial 18% projection, the overall increase in this line represents over 85% of the entire two-and-one-half percent tax levy increase for the year. It is once again clear that this new-era budget buster must be addressed at all levels of government, both state and local.

While many budget categories will see increases next year, the amounts budgeted here do not represent new programs, positions or services. Rather, we are facing another fiscal year with cost hikes that are substantial. Over the past 18 months, we have had to absorb significant increases in heating and automobile fuels. Those costs in some cases doubled from amounts that were paid as recently as FY'2004. This year, the culprit will be electricity charges. These costs are expected to rise from 5.5 cents per kWh to over 9.3 cents per kWh in January of 2008. That represents a 70% spike in electricity. Walpole procures this utility through a “pooled” bid process with other communities, a practice that undoubtedly will save costs that would otherwise be required if we were to go it alone. Given this increase, it will be critical to monitor electricity line items throughout the fiscal year.

Despite our efforts, the current budget proposal falls short of delivering level services by roughly \$353,320. On the municipal side, that represents a cut of \$120,129 from our first level-service attempt. Under the projected scenario, many departments see reductions in personnel and/or expense line items. In the Parks department the budget calls for the elimination of a full-time Craftsman position. This budget reduction will also require us to scale back some training and professional development programs, further constrict maintenance budgets, and result in the loss of some professional services for some departments. These are but a few of the impacts that will be felt across municipal departments as many have seen some line-item reductions moving ahead into FY'2008.

For the School Department, they have indicated that this proposed budget will miss a level services target amount by as much as \$730,000. This gap is made up of two components: first via the \$233,191 reduction as the school share of the \$353,320 deficit figure, and secondly as a result of a \$496,000 difference between my recommendation and their stated needs for level services. It is important to note that this proposed town-wide budget does not factor in any potential revenue from an override. As such, these school budget comparisons also only address level services. The reasoning behind my decision to recommend a lower school budget figure is simply based on maintaining a consistent balance between Municipal & School spending going forward. As has been stated in the past several years, our operations are much like a puzzle. In order for the picture or image to be whole and complete, every piece needs to fit together without alterations. In other words, if the School budget increases at a rate greater than municipal budgets, it would be necessary to cut programs and staff from municipal departments to bring the budget into balance. That is simply not an option.

### **FY'2008 BUDGET MESSAGE – 02/05/2007 (PAGE #3)**

However, despite the potential negatives this budget represents, there is optimism that additional revenue and budget savings will be realized prior to the Spring Annual Town Meeting. Currently, we are projecting an increase in state aid of approximately \$500,000, all of which is in the Chapter 70 line. If the Commonwealth continues the Chapter 70 formula that was introduced last year, the possibility exists that this amount could rise, perhaps by as much as an additional \$500,000. The state aid figures will also allow us to determine the actual impact of the Tri-County assessment in FY'08. Tri-County must wait until the state budget is released to identify member communities' minimum local contributions for the next year. That, coupled with a current drop in enrollment of Walpole students at Tri-County, may provide us with added savings off of a level-funded estimate. Should either of these possibilities become reality, the negative effects can be minimized for most departments.

One area of concern in terms of state aid, however, will be the annual lottery appropriation. The Massachusetts State Lottery is a key component of aid to cities and towns, and any changes to lottery revenues could have an impact on our allotment. At this time we have not projected an increase in that line, however given recent concerns raised at the state level regarding a drop-off in lottery income, level funding could be in jeopardy. We will have to monitor this state aid figure over the next few months. Likewise, we must continue to lobby for a continuation of the Prison Mitigation program funding to continue into next year. The FY'2008 spending plan relies upon \$500,000 again being made available to Walpole for operational expenditures. As you recall, that amount was \$750,000 in the current FY'07 cycle, however some \$250,000 was utilized for emergency repairs to the Plimpton Street culvert. As a protection against the discontinuation of this funding stream, I am reserving \$500,000 in free cash as a so-called prison mitigation hold-back. While that will address FY'08 expenses, it is only a one-year solution. The long term solution for this dilemma must continue to be on our list of priorities.

Other receipts that we receive at the local level are projected for both increases and decreases next year. On the positive side, motor vehicle excise, investment income, permit revenue, and ambulance fund contributions are all up for FY'08. On the negative side, we will not have over \$50,000 in bond premiums available to us next year. Those funds have been decreasing steadily for the past several years, and were finally exhausted as a debt supplement in the current '07 budget. Also, the supplemental assessments levied for property improvements during the fiscal year are expected to fall in FY'2008. This is directly attributed to the slowing in the real estate market over the last eighteen months. In a related concern, we will need to pay close attention to our building permit revenue. While permit income in general is expected to rise slightly in FY'08, any significant drop off in construction will adversely affect our building permit income.

With respect to collective bargaining agreements, FY'2008 will mark the final year of each of the nine contracts. Due to the continued budget dilemmas we are facing, it is expected that we will seek to meet with all of our unions earlier than usual to seek a cooperative solution to rising costs. Union cost of living adjustments for FY'08 are generally at 3%, and municipal non-union COLA's have also been set at 3% by the Personnel Board.

The Town's debt picture continues to be positive. Over \$526,000 will drop off our debt schedule next year, with approximately \$319,000 of that representing excluded debt. That is debt that was raised as part of previous debt exclusion questions. As such, it is a "wash" for operations

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as an equivalent amount of revenue will not be raised on the tax rate. This is a direct, albeit relatively small benefit for taxpayers, with the average savings of approximately \$40.

Free Cash will again highlight the funding sources for our annual capital improvement program. Total capital spending for Fiscal Year 2008 is currently projected at \$2,243,600. Of that total, \$1,481,200 will be funded through Free Cash, \$7,900 through the Ambulance/EMS fund, \$69,000 from Water Retained Earnings, \$100,500 from Sewer Retained Earnings, and roughly \$585,000 through Water Enterprise Fund borrowing. Among the expected items to be funded here include the continued upgrade/replacement of the water meter system, additional sewer pipeline inspection & repair, improvements to the center pools, roof repairs to various town buildings, continued air quality improvements throughout our buildings, Phase 2 of the wide area network upgrade, needed emergency shelter equipment, a front-end loader, and computer equipment and classroom furniture for our schools. As a means of putting all of this into perspective, however, it is important to note that total capital requests for the upcoming year were slightly more than \$4.8 million dollars. We will only be able to address less than half that amount.

Past spending on capital improvements has been a major benefit to our Community's infrastructure. We have capped our landfill, upgraded our fleet, made significant repairs to our buildings, improved air quality in the schools, purchased critical safety and security equipment, paved our roads, repaired our sidewalks, and so on. As of this date, we have identified \$33,500 in available funding from completed prior capital projects that may now be utilized by Town Meeting for further appropriation. It is my recommendation that this amount be again utilized as part of the Capital Improvement program, to either reduce our Free Cash need, or more practically to address other department capital requests that are not funded at this time. I trust that the Capital Budget Committee will make the best use of these funds. In addition, several prior capital projects are still in various stages of their respective processes, and we have stepped up our efforts to see these projects through to completion in a more timely fashion.

Major facility needs continue to dominate our fiscal and operational outlook. This will be the third consecutive year that a request is made to address the immediate needs of our public safety facilities. While originally identified as a Police Station need, the input of a citizen committee has now recommended that the scope be expanded to include a replacement of the aging Center Fire Headquarters into a new combined Public safety facility on Stone Field. It can not be stressed enough that if this project is not commenced soon, the cost to taxpayers will continue to soar. These are serious needs for both departments, and given a minimum design/permitting/construction period of eighteen months, it is not unrealistic to suggest that this matter be given top priority for Spring action. In addition to rising construction costs, the expected requests for other facility replacements and/or renovations within the next ten years bring the immediacy of the issue to the forefront.

Water and Sewer budgets for FY'2008 will see little program and no personnel changes, however significant spikes are expected again in the electricity accounts. As can be expected with facilities that are electric powered, the increase in electric rates noted above will leave its mark here as well. Further, Sewer rates will reflect the annual increase in our assessment from the MWRA.

## **FY'2008 BUDGET MESSAGE – 02/05/2007 (PAGE #5)**

In terms of the current fiscal year, I am again pleased to report all systems running well both operationally and financially. A review of all department budgets by our Town Accountant did not reveal any immediate concerns. And, for the first time in four years, I am not projecting a deficit in our Snow & Ice budget, primarily because we haven't had very much. However, there are still at least two months left for Old Man Winter to reverse this positive outlook. In the past three years, our typical expenditures were roughly \$500,000 per year, with one extraordinary year at \$900,000. With a projected budget for FY'08 of only \$349,000, you will understand why I have suggested that we work to increase this annual budget by \$200,000.

At this time I would again like to recognize the outstanding efforts of all those who have worked to put this budget together. The list includes staff and department heads from all components of Town government, and I say thank you to all. Also a tip of the cap is in order for Finance Director Mark Good, Town Accountant Arti Mehta, Appraiser Dennis Flis, Personnel & Benefits Coordinator Valorie Donohue, and Assistant Town Administrator Jim Johnson who once again put in the extra effort to review all budgets, dig for all available revenue, and help make it balance in the end. And again this year, I extend a very large thank you and job well done to Cindy Berube, Clare Abril, Debbie McElhinney, and Cathie Winston for their efforts in assembling all of the material you see before you. I can not stress enough how much of a team effort this process is, and how successful we have been through the dedication of a truly great group of Town employees.

The process does not end this evening. Rather, one might argue that it enters its second phase. Over the next three months, members of the Finance Committee, School Committee, Capital Budget Committee, and of course the Board of Selectmen will spend countless hours reviewing the material, meeting with department heads and staff, and gathering input of the community in a collective effort to produce the best budget possible. As noted above, there will likely be changes between now and Town Meeting, hopefully all of which are positive. On behalf of all Town staff, please be assured that we are at your disposal to answer any questions you may have or provide any additional data your Boards may require. And most importantly, please accept our collective thanks for everything you do, every bit of which is on a volunteer basis.

Finally, I feel compelled to offer a word or two on the topic of an override. Undoubtedly there will be opinions offered by many on either side of the question, pro or con, for or against. Some will be passionate, others passive. However, at the end of the day one common position must ring loud and clear. That is a position that recognizes the true sense of community that is Walpole. Whatever the outcome, on April 1<sup>st</sup> we will continue to do our very best to deliver the highest quality of service to the residents and business community we serve. And in the end, as stated last year, it is essential that everyone be as compassionate as they are passionate.

Again, I thank you for all that you do and for the contributions each of you make.